

Memorandum

TO: Michigan Republican Legislators

FROM: Larry Ward, Executive Director
Ed Rivet, Leadership Council Member
Michigan Conservative Energy Forum



RE: Michigan Renewable Energy Standard

The Michigan Conservative Energy Forum (MCEF) is an organization comprised of like-minded conservatives seeking to support the development of sound, fiscally responsible, forward-thinking energy policy in Michigan. Formed in November, 2013 for the purpose of encouraging conservative leaders and organizations to join the conversation we're having about Michigan's energy future and to support conservative solutions to what we believe is an important part of an "All of the Above" energy strategy.

Our organization will be testifying at the House Energy Committee Hearing concerning the importance of maintaining the Energy Efficiency and Renewable Portfolio Standards, and would like to take this opportunity to share with you why this issue is so important. MCEF believes in an "All of the Above" approach to energy including increasing Michigan's use of renewable energy. We need to set firm goals to reach concerning efficiency and renewables, without goals we will not reach our potential. These goals need to be enforceable by entities such as the Michigan Public Service Commission, and Michigan's new Energy Agency.

Renewables need to be a significant portion of the energy portfolio to act as a buffer for future potentially volatile fuel costs. They're also great opportunities for our states entrepreneurs and capitalists, unlike coal they keep jobs in Michigan. According to the Hill Study done by MCEF a 15% renewable energy standard by 2020 has the potential for a gross impact of \$3.28 billion on the Michigan economy, this includes 20,000 job-years supported and \$1.06 billion in employee wages and benefits.

We have attached the House Energy Committee Testimony provided by the Michigan Conservative Energy Forum. We look forward to working with the Legislature to find conservative solutions. Please contact us for additional information, as we continue to be a resource in your efforts to advance Michigan's energy economy.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Larry J. Ward".

Larry J. Ward
Executive Director
MCEF

A handwritten signature in blue ink, appearing to read "Ed Rivet".

Ed Rivet
Leadership Council
MCEF

Testimony of Larry Ward, Executive Director,
Michigan Conservative Energy Forum (MCEF)
& Ed Rivet, MCEF Leadership Council Member



Before the House Energy Committee
Chairman, Representative Aric Nesbitt

May 7, 2015

SUBJECT: MCEF Testimony on HB 4297 (Renewable Energy Standard)

TESTIMONY:

(Larry Ward)

Thank you Chairman Nesbitt, and committee members for allowing the Michigan Conservative Energy Forum another opportunity to testify today. Our Leadership Council is made up of true conservatives who walk-the-walk on conservative energy policy solutions. Last week you heard from our leadership council member and energy optimization entrepreneur, Mark Huizenga, on the importance of maintaining a strong Energy Optimization program. I'd also like to reiterate our organizations support of the effort to expand waste-to-energy, pyrolysis, geothermal, and bio-digester forms of energy production. At this time, I'd like to introduce another member of our Leadership Council Ed Rivet, to share our organizations thoughts on the RPS implications of HB4297.

(Ed Rivet)

Mr. Chairman and members of the committee, I am pleased to represent the Michigan Conservative Energy Forum as a member of the Leadership Council. My participation with the Energy Form is entirely separate from my longtime work for Right to Life of Michigan and the prolife cause.

Personally, I am all about renewable energy. I put a geothermal heating-cooling system in the house I built 12 years ago, before renewables were as sexy/cool as they are today. As a winter heat supplement, I burn wood that I harvest and manage on my own property. A few years back I served as a consultant to an alternative energy company in Ann Arbor that also does energy optimization retrofits.

By now you are familiar with the Conservative Energy Forum's foundational "All of the Above" approach to energy policy. We envision an energy policy for Michigan that advances energy security, economic security, even national security, while creating opportunities for Michigan jobs and protecting our environment. Importantly, we believe these goals not only can be achieved while being guided by conservative principles, but can best be achieved through conservative solutions.

As this committee deliberates on the important question of Michigan's renewable portfolio, the Conservative Energy Forum would like to offer these points. First, we must have a robust, and in my view, a still-expanding component of renewable energy in Michigan's generation portfolio. There are two key reasons for this:

- 1) Fuel costs are too unpredictable to make accurate forecasts in long-range capacity planning – the 30 to 40 years we talk about when building new plants. Renewables are a legitimate buffer against volatile fuel costs.
- 2) Renewables allow us to be good entrepreneurs and capitalists, exploiting cost-free fuel sources like water, wind and sun to everyone's benefit and to someone's profit. And I use that term "exploit" quite purposely. From an economic perspective, we're not acting rationally until we've extracted every bit of zero-fuel-cost generation we can achieve at the competitive cost margin. And that's before we even talk about environmental benefits of zero-emission generation.

To achieve maximum benefit for all Michiganders, we should set firm targets or goals – our belief is that 'requirements' of our regulated utilities are not considered a mandate. Governor Snyder has put forward a challenge to expand renewables to their greatest and most sensible potential and we agree

with him. The old adage is, "If you aim at nothing, you're sure to hit it." If we set no targets or goals for renewables, we're certain *not* to maximize their potential.

Second, if the proposed plan means insuring that renewables remain a strong component of our portfolio through an IRP process, then some sort of authoritative mechanism should be put in place. Whether it be the MPSC or the executive energy agency or some other entity, *some one or some agency* should be empowered to see that the IRP process does not shortchange renewable energy's full potential based on short term interests.

Third, laws or regulations that are creating impediments to normal market forces should be reduced or removed. Let's get the government out of the way of expanding renewables. For example, I fail to see the logic in caps on energy efficiency, distributed clean energy and renewable self-generation. Net metering policies should be made fair and reasonable at the same time.

Likewise, with a significant number of Purchase Power Agreement (PPA) contracts with renewable energy suppliers like hydro and biomass expiring in the near future, we should ensure their continued participation in our portfolio by properly weighting the positive factors these producers offer: predictable base load, long-term sustainability, fuel-cost advantage, environmental impact and supporting our state and local economies.

Finally, without wading too deeply into the Retail Open Access issue, if Michigan is going to be fully or almost fully regulated, thereby removing certain competitive market forces from the policy equation, then laws, regulations, PSC authority, the IRP process, etc., should be geared toward allowing some level of competition in the PRODUCTION of ENERGY, thus meeting our increased capacity needs. If coal plants are going offline and new generation is becoming a necessity, consumers will be best served if the privilege of supplying purchased capacity or building new, regulated capacity should go to the provider best suited to add their energy capacity to the grid.

In summary, we are far short of capturing all the potential and all the advantages of clean, renewable energy. We only gain economic opportunity, energy security, and a cleaner environment as we move away from exporting energy dollars for coal and maximize homegrown, renewable energy sources. As Governor Snyder has proposed, we ought to have a target and the enforcement capabilities to hit that target.

Thank you again Chairman Nesbitt, and Larry and I would be happy to answer any question you have.

Read the full Report: <http://www.micef.org/our-tool-box/>



